

NATIONAL WEATHER SERVICE INSTRUCTION 70-205

January 22, 2015

Financial Management

Financial Management 70-2

CERTIFICATION OF OBLIGATIONS

NOTICE: This publication is available at: <http://www.nws.noaa.gov/directives/>.

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Type of Issuance: Initial

SUMMARY: This policy establishes guidance for the review and certification of obligations to substantiate the accuracy of obligations and their consistency with the standards required by 31 U.S.C, 1501(a)¹.

 Signed
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 1/18/15
Date

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1 Purpose

1.1 This policy establishes guidance for the review and certification of obligations to substantiate the accuracy of obligations and their consistency with the standards required by 31 U.S.C, 1501(a)¹.

2 Scope

2.1 This applies to all NWS offices having responsibility for controlling and monitoring the use of financial resources.

3 Definition

3.1 Criteria for Valid Obligations: Under 31 U.S.C. 1501, a valid obligation exists when evidenced by:

- A binding agreement in writing between an agency and another party (including Government agencies) in a way and form and for a purpose authorized by law, executed before the expiration of the period of availability for obligation of the appropriation or fund concerned for specific goods to be delivered, real property to be purchased or leased, or work or services to be performed;
- An order required by law to be placed with a Government agency;
- An order issued under a law authorizing purchases without advertising when necessitated by public exigency or for perishable subsistence supplies or within specific monetary limitations.
- For payment of, or contributions to, amounts required to be paid in specific amounts fixed by law or in accord with formulas prescribed by law, or (2) under an agreement authorized by, or under plans approved in accord with and authorized by law.
- A liability that may result from pending litigation.
- Employment or services of persons or expenses of travel under law.
- Services provided by public utilities.
- Any other legal liability of the Government against an available appropriation or fund.

3.2 **Deobligation.** A downward adjustment or deletion of previously recorded obligations. Such adjustments may be attributable to cancellation of a project or contract, price revisions,

¹31 U.S.C. 1501(a) provides the criteria for valid obligations

corrections of amounts previously recorded, or differences between obligations previously recorded and payments made.

3.3 **Obligations.** Amounts of orders placed, contracts awarded, services received and other similar transactions that will require payments during the same or future period. Such amounts include outlays for which obligations were not previously recorded as well as differences between obligations previously recorded and actual outlays. All obligations must meet the criteria set forth in 31 U.S.C. 1501.

3.4 **Outlays.** The liquidation of obligated balances when either a payment is issued, a letter-of-credit drawdown is made, or cash is disbursed, less collections, including reimbursements, refunds received, loan repayments, prepayments, and loan asset sales received and credited.

3.5 **Undelivered Orders.** The amount of orders for goods and services outstanding for which the liability has not yet accrued. This amount includes any orders for goods or services for which advance payment has been made, but for which delivery or performance has not yet occurred.

3.6 **Unexpended Balance.** The sum of obligated and unobligated balances.

3.7 **Unliquidated Obligations.** The obligated balance remaining for the amount of orders placed, contracts awarded, services rendered, or other binding agreements made by Government agencies after making any payments or deobligations. Reports to the Treasury for an appropriation or fund account consider unliquidated obligations as the sum of undelivered orders plus accounts payable less reimbursements earned and refunds.

3.8 **Unobligated Balance.** The amount of obligational authority that has not been obligated. It is only carried forward when the authority to incur obligations in subsequent years is specifically provided by law.

4 POLICY.

4.1 **Utilization of Funds.** The optimum utilization of funds requires that all current and prior year obligations be continuously reviewed to ensure that obligated balances are not over or under stated and that the obligations are properly documented and reported.

4.2 **Formal Review and Certification.** Formal review and certification of obligations shall be made once yearly by each Financial Management Center (FMC). Obligations found to be unnecessary will be promptly adjusted. All adjusting transactions shall be properly documented and all documentation shall be retained for audit purposes.

4.3 **CBS Reporting.** FMCs have access interactively to the NOAA Commerce Business System (CBS) Certification of Obligations report to be used in validating transactions recorded in the official accounting records. This report must be verified against the records and copies of source documents maintained by the FMC.

4.4 **Requests for Deobligation .**Procedures for initiating actions to correct errors found in the reports are contained in Chapter 15 of the NOAA Finance Handbook. Requests for deobligation of invalid undelivered orders or removal of invalid accounts payable must be made in writing to the servicing Field Finance Branch (FFB) and/or Accounting Operations Division (AOD).

4.5 **Processing of Requests.** The servicing FFB/AOD will take prompt action to process all FMC requests for adjustments and will retain and file copies of FMC requests for audit purposes in the official FFB/ AOD document folders.

4.6 **Tracking.** On a continuous basis, each head of an FFB/ AOD will ensure that all transactions recorded in CBS (which they originate) are accurate and supported by proper documentation retained in their files.

4.7 **LO formal review.** Once yearly, the heads of the Line and Corporate Offices (LO/CO) shall conduct a formal review, through their FMCs, of all obligations and provide a certification statement to the Director, Finance Office/Comptroller or designee. The reviews shall be performed by each FMC using Certification of Obligations report as of June 30. FMCs must work closely with the servicing AOD/FFB and the responsible Contracting Officer Technical Representative/Technical Monitor to determine the validity and status of obligations and to initiate required actions to deobligate or remove invalid records. FMCs will also notify the servicing AOD/FFB of any unrecorded or improperly recorded obligations.

4.8 **Approval.** Each head of an FMC must complete and sign a Certification of Obligations and forward it to the responsible LO/CO. The LO/CO will assemble and review all FMC certifications, countersign, and forward a consolidated LO/CO package to the Director, Finance Office/Comptroller or designee. The due date for the June 30 certification is September 1.

4.9 **Monitor.** The Director, Finance Office/Comptroller or designee will monitor the above process and take follow-up actions to obtain all required annual certifications by the due date.

4.10 **Review .** The Director, Finance Office/Comptroller or designee will review inactive unliquidated obligations and statistically select documents for a thorough review by the servicing AOD/FFB finance and procurement divisions.

4.11 **LO/CO Certifications Review.** Based upon the LO/CO certifications review of select documents, the Director, Finance Office/Comptroller or other designee of the Under Secretary/Administrator will certify and transmit the Year-end Closing Statement (TFS Form 2108) on behalf of NOAA in accordance with 31 U.S.C. 1108(c).

5 RESPONSIBILITIES

5.1 **Head of FMC .**The head of each FMC is responsible for continuously verifying that all obligations are properly recorded and will report once yearly through his/her LO/CO to the Director, Finance Office/Comptroller or designee that all obligations have been reviewed, and adjustments made where necessary, and that all known transactions meeting the criteria of 31 U.S.C. 1501 have been obligated and reported.

5.2 **Head of FFB/AOD.** The head of each FFB/ AOD will ensure that obligations .accounts payable, disbursement cost accruals, advances, and collections are supported by proper documentation and accurately recorded in the CBS. They will also ensure that adjustments or deobligations identified by FMCs are processed promptly and recorded accurately in CBS. In some cases, this will require the issuance of amendments to business instruments by Contracting and Grant Officers at their discretion.

5.3 **Head of LO/CO.** The head of each LO/CO will ensure compliance by his/her organizations with the policies, procedures and reporting requirements set forth in this order.

5.4 **Director, FO/Comptroller.** The Director, Finance Office/Comptroller or designee will provide reports to LO/CO and ensure compliance with the policy set forth in Section 4.

5.5 **Director, FO/Comptroller.** The Director, Finance Office/Comptroller or other designee of the Under Secretary/Administrator will certify and transmit the Year-End Closing Statement (TFS Form 2108) required by 31 U.S.C. 1108(c) on behalf of NOAA.

..02 31 U.S.C. 1108(c) requires the certification of agency obligations and requires obligations to be properly supported.